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SIPDIS

USDOC FOR 532/OEA/LHINES/DFARROW
USDOC FOR 3132 FOR FCS/OIO REGIONAL DIRECTOR
WILLIAM ZARIT
BICE FOR OFFICE OF STRATEGIC INVESTIGATIONS

BEIJING FOR FCS JEANETTE CHU

SIPDIS

E.O. 12958: N/A
TAGS: BMGT BEXP HK ETRD ETTC
SUBJECT: EXTRANCHECK: POST SHIPMENT VERIFICATION:
HOPESEA IMPORT & EXPORT LIMITED

REF: A) USDOC 05666

1. Unauthorized disclosure of the information provided below is prohibited by Section 12C of the Export Administration Act.

12. As per reftel A request and at the direction of the Office of Enforcement Analysis (OEA) of the USDOC Bureau of Industry and Security (BIS), Export Control Officer Philip Ankel (ECO) conducted a post shipment-verification at Hopesea Import & Export Limited, No 1 Hung To Road, Unit 12-16, Hong Kong (Hopesea). The items in question are sinewave generator telerings exported to Hopesea on or about May 10, 2007 and valued at USD 3,385. On the applicable shippers export declaration (SED), these items are classified as 3A001 and, if properly classified, would likely be controlled for national security (NS) reasons. The exporter was Triangle Electronics Group, Inc. of Ronkonkoma, NY.

13. According to the Hong Kong Companies Registry, Hopesea has been in existence since 2006. It has nominal authorized share capital (the equivalent of less than USD 1) and no paid-up share capital. The Commercial Registry lists Hong Kong Resident Card holders Fung, So Kwan and Yeung, Chun Kwai as directors. The company referenced in Reftel A, namely Hopesea Electronics, is the former name of what appears to be an unrelated company.

14. On July 24, 2007, ECO met with Ms. Anna Yeung of Hopesea. She stated that Hopesea is an electronic components trading company. It is an affiliate of Shenzhen Huafuyang Import & Export Co. Ltd. That company's phone number was listed as the contact number for Hopesea in Reftel A and Ms. Yeung's business card lists that company's name and contact details on the flip side of the Hong Kong contact details (which reference Shenzhen Huafuyang Import and Export Co. Ltd., a Hong Kong phone number but not Hopesea). Ms. Yeung stated that the electronic components traded by Hopesea are general use components used in the production of televisions, computers, DVD players and MP3 players. The company's standard business is to source components in the United States, Europe and Hong Kong for sale to mainland China.

Approximately 10-15 employees were located at the company's offices, which also included space for accepting and packing shipments to and from the company.

¶5. When asked by the ECO, Ms. Yeung stated that some of the company's products are controlled for export to mainland China by the Hong Kong government. She stated that Hong Kong export licenses are difficult to obtain and often take several weeks to process. She stated that in her business where quick supply is critical, waiting for licenses is a problem. Mr. Yeung stated that in many cases, Hopesea sells the item to a mainland customer but requires that customer to pick up the items in Hong Kong and pay cash. When asked whether the buyer takes on the obligation to obtain the applicable Hong Kong license, Ms. Yeung stated that she is not aware whether the company's buyers obtain licenses but assumes they are being exported without a Hong Kong license.

¶6. Ms. Yeung stated that most of her stock does not typically come directly from the United States but is rather sourced in Hong Kong. Her primary supplier is Imgram Micro in Hong Kong. She stated that Imgram Micro typically obtains the requisite import licenses from the Hong Kong government for items controlled by the Hong Kong government for import into Hong Kong (Note: Hong Kong requires a license for both import and export of strategic commodities).

¶7. As to the specific transaction in question, Ms. Yeung stated that the customer picked up these items from Hopesea in Hong Kong. She provided a

copy of a Triangle Electronics Group Inc. invoice (a copy of which the ECO had received independently from OEA) on which the customer made a notation that the items had been received. Ms. Yeung stated that she was not familiar with the customer although she believes it is a trading company in mainland China. It is not a frequent customer, according to Ms. Yeung. A google search of the customer listed on the invoice (Shenzhen Zhaocai Science and Technology Company) reveals that this company is an electronics components distributor in mainland China. According to the company's web site, Shenzhen Zhaocai specializes in end of cycle and hard to find components as well as those components that cannot be found on the mainland and Hong Kong markets. The company lists a wide range of U.S. brands including Atmel, Agilent, Aeroflex, Raytheon and many others.

¶8. The ECO provided Ms. Yeung with information on U.S. export controls applicable to U.S. origin items and encouraged Hopesea to become familiar with and comply with those rules. Ms. Yeung agreed to review the materials (she was not previously aware of U.S. export controls) and comply with U.S. export control rules.

¶9. The ECO notes that in certain circumstances, items that fall into the applicable ECCN (3A001) may be exported or reexported to mainland China without a license, particularly where they are destined for civil use. However, in other circumstances, 3A001 items require a license to mainland China regardless of end-use. This difference is dependant on the ECCN subcategory into which the applicable items fall. The ECO recommends that, where practicable, OEA obtain from the exporter the applicable ECCN subcategory in situations where such subcategory would have an impact on the licensing requirements for the

applicable items that are the subject of the check. In this circumstance, given the business practices of Hopesea related to Hong Kong export licensing requirements and other factors noted above, the ECO recommends that this check be classified as Unfavorable.